

MAGARENG



MUNICIPALITY

BUDGET

2011/2012 FINANCIAL YEAR



MAGARENG MUNICIPALITY
FINAL BUDGET 2011/2012 FINANCIAL YEAR
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MAGARENG



MUNICIPALITY

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I, ...Kotlhao Shadrack Mere, Municipal Manager of **Magareng Municipality** hereby certify that the 2011/2012 annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Name : KS Mere _____

Municipal Manager of Magareng Municipality : NC093

Signature: _____

Date : 2011/05/12 _____

A - INTRODUCTION

MAGARENG



MUNICIPALITY

Our Vision:

"MAGARENG WILL BE A VIABLE AND PROSPEROUS LOCAL MUNICIPALITY, FULLY RESOURCED TO ENSURE SUSTAINABLE, INTEGRATED AND AFFORDABLE SERVICE DELIVERY TO THE COMMUNITY"

OUR MISSION :

We intend to realize our vision through :

- Town marketing for investment attraction;
- Tapping into latent and under - utilized natural resources;
- Skills development and capacity building;
- Promoting uniformity;
- Team work and partnership;
- Effective internal and external communication;
- Promotion of sustainability;
- Investing in modern equipment and technology for reliable service delivery;
- Forging partnerships with interested development protagonists;
- Implementation of the millenium delivery targets;
- Implementation of the Batho Pele principles;
- Supporting the indigent households in the community;
- Redistribution of key resources to the previously disadvantaged community;
- Creating a conducive environment for business development; and
- Alignment of development with district, provincial and national strategies.

B - MUNICIPAL BUDGET

DEFINITION OF A MUNICIPAL BUDGET

A municipal budget is generally a projection of future revenues and expenditure. A budget is used to control financial transactions and should also be used as a management and planning tool.



It is also a tool for implementing the service delivery objectives of the Municipality as set out in their Integrated Development Plan.

A Municipal budget also provides for greater transparency, accountability, flexibility and predictability within the municipality.

A Municipal budget is divided into a Capital and an Operating Budget:

a) A capital budget is an estimate of the expenses that will be incurred during that financial year to create future benefits, and the sources of finance from which these expenses will be funded. The municipality spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond furniture, computers, office equipment and machinery.

b) An operating budget is an estimate of the operating revenues which will accrue to the municipality through its normal service delivery and the expenditure that will be incurred through the day to day operations of the municipality over the financial year.

Example: The purchase of a photocopier is a capital expenditure and is budgeted for under the capital budget, but the maintenance and other expenses such as the paper and toner for the photocopier is budgeted for under the operating budget.

OBJECTIVE OF A MUNICIPAL BUDGET

The main objective of a municipal budget is to sensibly allocate realistically expected resources to the municipality's service delivery goals or performance objectives identified as priorities in the approved IDP.

The municipal budget is a tool through which the total level of revenue and expenditure are adequately controlled, public resources are appropriately allocated among sectors and programs, and ensure that departments operate as efficiently as possible within the municipality.

MAGARENG MUNICIPALITY

1.3 EXECUTIVE SUMMARY BUDGET : 2011/2012 FINANCIAL YEAR.

1.3.1. Introduction.

Magareng Municipality is situated in the Northern Cape and lies within the boundaries of the Francis Baard District Municipality. The area of jurisdiction is approximately 1,542km² in extent and accommodates approximately 21,744 people. According to the Census 2001 27,8% of the total workforce is unemployed while 46.7% is not economically active. This implies that only 25.6% of the workforce is employed. Due to the high unemployment rate the municipality currently have ±2,500 registered indigent households.

The direct impact of the high unemployment rate is a poor debtor payment percentage causing Magareng Municipality to experience cashflow problems. A major increase in the debtor payment percentage is needed to ensure that all budgeted revenue are collected. It is imperative that strict Credit Control is enforced to ensure the Municipality has the necessary resources for optimal service delivery.

1.3.2. Personnel.

For the original 2010/2011 budget, salaries amounted to 36.84% of the operating budget. The percentage for the 2011/2012 budget amounts to 31.23% of the budget and is therefore a decrease of 5.61%. Provision are made for a number of currently vacant, as well as new positions in the 2011/2012 budget. A short summary of some of these positions follows:

- HOD Corporate Services
- Chief Accountant
- Supply Chain Manager
- Infrastructure manager
- Youth Manager
- Chief Traffic Officer
- Traffic Officers
- Expenditure Clerk
- Credit Control Officer
- General workers

In December 2010 a Gazette was distributed indicating increases in Council allowances (Gazette 33867, dated 10 Dec 2010) This had a major impact on the salary costs of Municipalities and Magareng was no exception. When considering the increases in the allowances the following can be noted :

- | | |
|--|--------|
| ➤ Council Allowances as % of total operating budget : | 2.74% |
| ➤ Employees Salaries and allowances as % of total operating budget : | 31.23% |

In the salary budget provision is made for a salary increase of 6.80% as per the Salary and Wage Collective agreement 2009/10 to 2011/2012. The agreement provides for a wage increase based on the average CPI for the period 1 February 2010 till 31 January 2011 plus 2 per cent. The average CPI for this period is 4.08 per cent, plus the 2 per cent gives a wage increase of 6.08 per cent for the 2011/12 financial year , starting 1 July 2011. As in previous years, provision are made for pension fund employees who are members of an accredited Pension Fund, as well as contributions for employees who are members of a Medical Aid. Provision are also made for contributions towards a Councilor Pension Fund.

1.3.3. Operational Budget 2011/2012 Financial Year.

1.3.3.1 Community Consultative Meetings

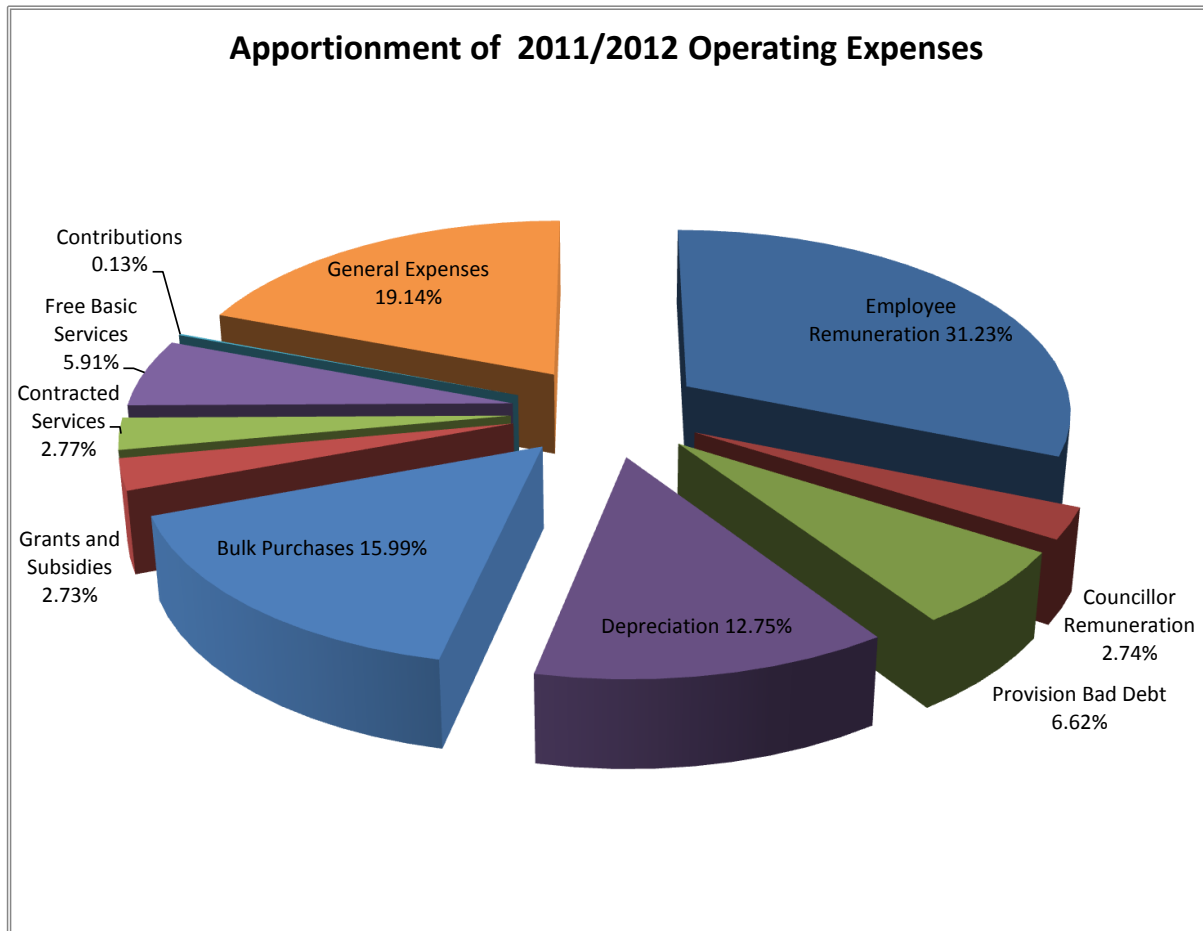
1.3.3.2 Summary of 2011/2012 Operating Expenditure

The approved original operational budget for 2010/2011 amounted to R58,311,720 and Municipalities are allowed according to National Treasury guidelines to increase their expenditure budget by $\pm 6.0\%$. The operational expenditure budget for 2011/2012 amounts to R79 749 035 that represents an increase of 36.76%. The main reasons for this increase is the increases on the following expenditure :

- 26.71% increase bulk purchase of electricity - Eskom;
- 12.% increase bulk purchase of water - Vaalharts Water;
- 6.8% increase in salaries and provision for vacant posts;
- Provision for depreciation on assets to the amount of R10,169,439;
- Provision for payment of outstanding Auditor General Fees of R600,000;
- Provision for payment of Compensation Commissioner R600,000.
- Provision of free basic services to indigent households totaling R4,716,231 for the 2011/2012 financial year.

2011/2012 OPERATING EXPENSE PER TYPE	
Employee Remuneration	24 909 115
Councillor Remuneration	2 185 365
Provision Bad Debt	5 275 616
Depreciation	10 169 439
Repairs and Maintenance	-
Finance Charges	-
Bulk Purchases	12 750 000
Grants and Subsidies	2 174 000
Contracted Services	2 209 019
Contributions	100 000
Free Basic Services	4 716 231
General Expenses	15 260 250
Total	79 749 035

CHART: PERCENTAGE APPORTIONMENT OF 2011/2012 OPERATING EXPENSES



1.3.3.3 Summary of 2011/2012 Operating Revenue

The operational revenue budget for 2011/2012 amounts to R68, 494,124 and was compiled with the following increases on Rates, Tariffs and other Revenue:

- 13.0% increase : Water;
- 7.0% increase : Sewerage;
- 20.36% increase : Electricity;
- 7.0% increase : Refuse;
- 8.0% increase : Other Income;
- 12.79% increase in Equitable Share allocation from R22,648,000 (2010/2011) to R25,546,000 (2011/2012);
- Property Rates : New valuation roll implemented from 1 July 2010.

Approved new tariffs are:

Businesses : R0,01575 per R value of Valuation

Residential : R0,00945 per R value of Valuation

Agricultural R0,000395 per R value of Valuation

- The first R15,000 of all residential properties are exempted from from being taxable.

Making the following assumptions of usage, the increase in tariffs will have the following effect:

Current Tariff		New Tariff	Percentage Increase/Decrease
Refuse removal	49.52	52.49	6.00%
Sewerage			
Basic Charge	16.05	17.01	5.98%
First Extraction	80.25	85.07	6.01%
Electricity :			
Basic Charge	77.73	93.98	20.91%
Consumption - 500kwh	445.30	436.45	-1.99%
Water :			
Basic Charge	18.48	20.88	12.99%
Consumption - 25kl	152.35	172.20	13.03%
Property rates : Land	115.50	Property Rates: Market Value	5.00%
Improvements	0.00		
	955.18	999.36	
14% VAT	106.32	122.93	
Total account	1 061.50	1 122.29	5.73%

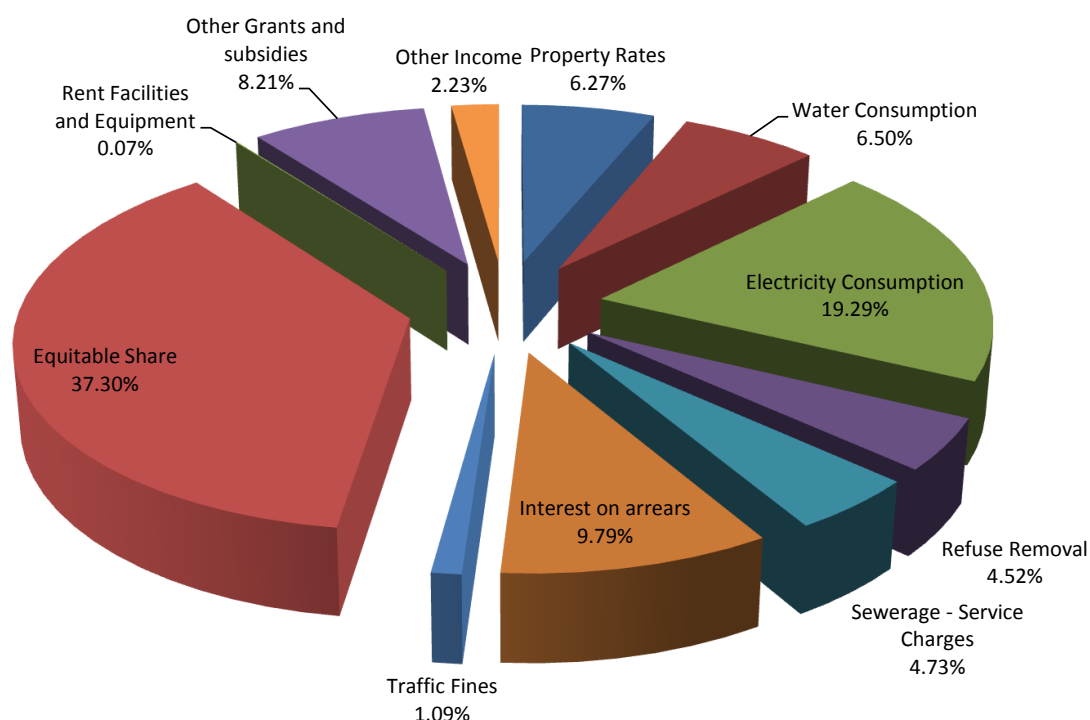
This means that an average consumer will pay +/- R60.79 more per month and that represents an increase of 60.79%. The reason for this low increase is the following:

1. Implementation of Inclining Block Tariffs for Electricity

2. Increase of 26.71% in electricity tariffs by Escom.

DRAFT 2011/2012 OPERATING REVENUE BY SOURCE	
Property Rates	4 293 365
Water Consumption	4 453 468
Electricity Consumption	13 215 052
Refuse Removal	3 095 416
Sewerage - Service Charges	3 241 973
Interest on arrears	6 702 500
Traffic Fines	750 000
Equitable Share	25 546 000
Rental Facilities and Equipment	45 000
Other Grants and subsidies	5 624 000
Other Income	1 527 350
Total	68 494 124

APPORTIONMENT OF 2011/2012 OPERATING REVENUE



1.3.4. Free Basic Services

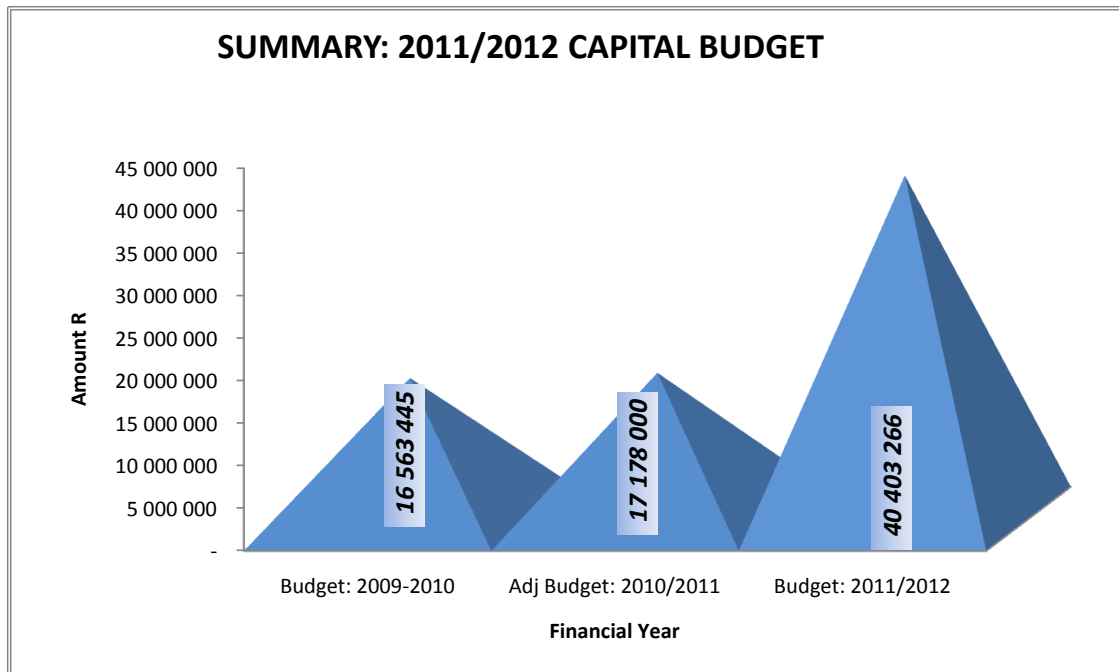
Provision is made in the 2010/2011 budget for the provision of free basic services to the value of R4,716,231 that consists of the following :

- Water : 6 kilolitre per month for 2,325 indigent households - R919,032
- Sewerage : free basic sanitation for 2,325 indigent households per month - R1,732,729
- Refuse Removal : free refuse removal for 2,325 indigent households per month - R1,464,471
- Electricity : 50 kWh per month for 2,325 indigent households - R600,000

1.3.5. Capital Budget

The approved capital budget for 2010/2011 amounted to R17,178,000 The capital budget for 2011/2012 amounts to R40,403,266 that represents an increase of 13.46%. The major capital projects are as follows:

- Upgrading of Gravel Roads and Stormwater Phase 2 - R19,175,073
- Relocation Sewer Purification Works Phase 1 - R18,749,820



1.3.6. IDP

The Local Government Municipal Systems Act, No 32 of 2000 requires that each municipality adopt a single, inclusive strategic plan for the development of the municipal area, which:

- Link, integrate and co-ordinate plans and take into account proposals for the development of the municipal area;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of Chapter 5 of the said Act; and
- Is compatible with National and Provincial development plans and planning requirements binding on the municipality in terms of legislation.

The IDP (Integrated Development Plan) is the single and inclusive planning document for the municipal area. It therefore does not only inform the municipal management, but it is also supposed to guide the activities of any agency from the other spheres of government, corporate services providers, NGO's and the private sector within the municipal area.

Magareng Municipality started with the IDP review process from October 2010 to March 2011. A number of processes were followed in completing the document as summarized below:

1. Compilation of draft IDP by Steering Committee, co-ordinated by IDP Manager and tabled to council for consideration before inviting public comment;
2. Advertising of draft IDP for public comment;
3. Alignment of IDP with District Council, National and Provincial policies and Plans;
4. Community participation from October 2010 in all wards;
5. Draft IDP was tabled before Council on 31 March 2010 and submitted to MEC: Local Government and Housing; and

Out of the community consultation processes, and National and Provincial priorities, the following Municipal-wide priority issues were identified for the 2011/2012 budget year:

Priority Issue	Desired Outcome
1. Housing	Acceptable shelter for those living in shacks
2. Roads and Stormwater	Proper roads with storm water
3. Health Facilities	Upgrading of hospital and new clinic for Warrenvale
4. Water Provision	Provide onsite water connection to all households and to farmers
5. Land Distribution	Surveying of more land for new development and grazing land to farmers
6. LED, food security and job creation	To draw investments , create jobs, develop SMME's and town marketing
7. Sanitation Provision	To have the sewer plant relocated and provide acceptable sanitation to those without sanitation
8. Electricity Provision	To strengthen the current network and expand the service to newly planned sites
9. Safety and Security	To have safe and secure town, street lighting
10. Waste Management	Clean Town and environment, eradicate illegal dumping
11. Recreational Facilities	Upgrading of sports ground and green open spaces
12. Public Transport	To have transport and regulate taxis in area
13. Government Services	To have services brought to people
14. Social Development	Moral regeneration and motivational talks
15. Service Delivery	Effective and efficient basic service delivery
16. Disaster Management	Disaster management plan for veldt fires and storms

In order for the municipality to achieve the required deliverables, a proper assessment were done on the service delivery capacity of the municipality. From this assessment a number of restructuring strategies was adopted to assist in the improvement of service delivery. A short summary of these strategies follows:

➤ **Institutional Restructuring**

A new organizational structure was developed to consolidate management and to focus on effective an efficient service delivery.

➤ **Community and development focused delivery**

An action plan was developed to ensure that communication both internally and externally are improved and that the ward committees start to act more pro-actively.

➤ **Skills development and employment equity**

The municipality will ensure that institutional capacity is improved and that critical vacant positions such as Electrician are filled as soon as possible.

➤ **Citizen Focused Delivery**

Council have resolved to decrease the number of meetings and start focusing on improving service delivery standards.

➤ **Financial Viability**

Council will adopt strict financial control mechanisms to ensure the improvement of income levels through improved revenue collection, strict credit control and implementation of debt collection strategies.

➤ **Policy and By-Laws review**

Council will review all current policies and by-laws and amend them where appropriate to ensure the successful administration of the organization.

➤ **Performance Management**

Council will ensure the development of a performance management system to ensure the gap between planning and implementation is bridged and that the organization evolves into a high performing institution.

1.3.7. MTREF - Medium Term Revenue and Expenditure Framework outlook

Municipalities are required to prepare 3 year operational and capital budgets referred to as the MTREF. Government Grants and subsidies are therefore also published for a three year period to provide municipalities with the necessary information for proper medium term planning.

The following is a short summary of what can be expected for the two outer financial years 2011/2012 and 2012/2013:

Operating Expenditure	2012/2013		2013/2014	
	Amount	% Change	Amount	% Change
Employee Remuneration	26 867 251	5.20%	28 465 274	5.20%
Councillor Remuneration	2 299 004	5.20%	2 418 552	5.20%
Salaries and Wages as % of total Operating Budget :		0.00%		0.00%
Bulk Purchases - Water	4 204 689	5.20%	3 486 440	5.20%
Bulk Purchases - Electricity	12 187 500	5.20%	15 234 375	5.20%
Provision Bad Debt	5 580 385	5.20%	5 897 406	5.20%
Depreciation	10 688 124	5.20%	11 786 806	5.20%
Repairs and Maintenance	-	0.00%	-	0.00%
Finance Charges	53 100	5.20%	56 233	5.20%
Grant and Subsidy Expenditure	2 115 700	5.20%	2 309 959	5.20%
Contracted Services	2 263 546	5.20%	2 413 546	
Contributions	106 200	5.20%	112 466	5.20%
Provision Free Basic Services	5 050 275	5.20%	5 311 449	5.20%
Other Expenditure	15 877 028	5.20%	16 584 396	5.20%
TOTAL	87 292 802	5.20%	94 076 902	5.20%

Free Basic Services

Provision is made in the outer year budgets for the provision of the following free basic services:

	2011/2012		2012/2013	
	Households	Amount	Households	Amount
➤ Water : 6 kilolitre per month:	2325	966 822	2325	1 017 096
➤ Sewerage : free basic sanitation per month:	2325	1 822 830	2325	1 917 617
➤ Refuse Removal : free refuse removal per month:	2325	1 540 623	2325	1 620 736
➤ Electricity : 50 kWh per month:	2325	720 000	2325	756 000
TOTAL		5 050 275		5 311 449

Operating Revenue	2012/2013		2013/2014	
	Amount	% Change	Amount	% Change
Property Rates	4 559 553	6.20%	4 828 567	5.90%
Water Consumption	4 560 298	6.20%	4 797 434	5.90%
Electricity Consumption	16 321 750	6.20%	19 584 603	5.90%
Refuse Removal	3 256 378	6.20%	3 425 709	5.90%
Sewerage - Service Charges	3 412 055	6.20%	3 590 598	5.90%
Interest on Arrears	7 168 500	6.20%	7 591 442	5.90%
Traffic Fines	789 000	6.20%	830 028	5.90%
Equitable Share	28 238 000	12.70%	30 080 000	9.97%
Rental Facilities and Equipment	47 790	6.20%	50 753	6.20%
Other Grants and Subsidies	2 713 000	-15.88%	3 104 000	2.16%
Other Income	1 088 370	-32.27%	1 148 413	5.90%
TOTAL	72 154 694	6.32%	79 031 547	7.38%

Capital Expenditure	2012/2013	2013/2014
	Amount	Amount
Upgrading of Gravel Roads and Stormwater Phase 2	13 129 000	
Upgrading of Gravel Roads and Stormwater Phase 3		13 851 000
Relocation Existing Sewer Purification Works Phase 2	9 127 000	
Relocation Existing Sewer Purification Works Phase 3		9 629 000
TOTAL	22 256 000	23 480 000

1.3.8. Key Budget Policies

Council review all budget related policies on an annual basis, and amended policies will be tabled during an ordinary Council Meeting to be held on 31 March 2010. Policies that were reviewed are:

- Tariff Policy
- Indigent Policy
- Rates Policy
- Write-off bad debt Policy
- Supply Chain Management Policy
- Banking and Investment Policy
- Budget Process Policy
- Overtime Policy
- Consumer Deposit Policy
- Risk Management Policy
- Vehicle Use Policy
- Cellphone Policy
- Virement Policy

Details regarding the key purpose of the specific policies, and amendments made are available in part **2.3 of the Budget Document on page.**

1.3.9. Local Government Turn-Around Strategy

During his State of the Nation address the President of the Republic of South Africa highlighted critical areas that government needed to focus on in order to accelerate service delivery. Municipalities whom as foot soldiers on the implementation of these priorities, were afforded an opportunity to identify critical areas that needed attention prior to December 2010. Magareng Municipality identified its five critical areas to address namely :

- ◆ Supply of Water;
- ◆ Maintenance of Street Lights and High Mast Lights;
- ◆ Road Maintenance;
- ◆ Refuse Removal; and
- ◆ Unblocking of the 16 houses project.

The Constitutional objectives for local government are set out in Section 152 of the Constitution: these are to provide democratic and accountable government of local communities, and to ensure the provision of services to communities in a sustainable manner. Promoting social and economic development pursuant to that promote a safe and healthy environment and subsequently encourage community involvement of communities and community organization in the matters of local government.

These objectives have been in practice for nine years and every part of the country now falls under the jurisdiction of a municipality, with many communities experiencing local and democratic government for the first time within the last decade. A central challenge for the many new institutions of local government has been their viability and ability to build strong organizations capable of delivering on the principles of Section 53 of the constitution which states that:

"a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community, and participate in national and provincial development programmes."

In order for the Council and Management of Magareng municipality to comply with this requirement a comprehensive Turn-Around Strategy was adopted by Council on 19 February 2010. This strategy addresses the following key priority turn -around focal areas:

- Basic Service Delivery;
- Public Participation;
- Improved Governance in Political and Management oversight;
- Improved Administration;
- Improved Labour Relations;
- Proper Financial Management; and
- Local Economic Development.

A number of priority municipal actions was identified and Management is required to report on a monthly and quarterly basis on progress made with the implementation of the strategy. Provision have been made in the draft operational budget to address a number of these actions.

1.3.10. Provision of Clean Water and Waste Water Management

The Water Safety Plan has been completed and loaded onto the Department Water Affairs Blue Drop Website.

Blue and Green Drop will provide the citizen's with credible information on the confidence that DWAF, the Regulator, has in drinking water and waste water management within the Magareng Municipality.

The Magereng Municipality is continuously striving to improve its drinking water and waste water management, thus improving

Magerng Municipality improved its blue drop status from 40% (2009) to 54% (2010).

The following Regulatory Impression is taken from the Department Water Affairs Blue Drop Report of 2010 ;

"The Department notes a good improvement on the 2009 performance and trust the rate of improvement will be maintained. The initiation of the water safety plan process is most laudable and it should have a positive consequence on the incident management requirement for the next reporting cycle. Accept for 4 samples failing to meet the national satndard in November 2009, a very good compliance rate was maintained. Yet the failure to monitor chemical determinants is a compromising factor.

It is also important that the munipality make real effort to improve process control and maintenance skills by means of accredited training or additional appointment."

The following action will be undertaken during the 2011/2010 financial year to maintain the trend of improvement for both the blue and green drop requirements.

ACTIONS
Publishing of Blue and Green Drop Performance
Full SANS (South African National Standard) analysis
Registration (with Department of Water Affairs) of process controllers.
Training and development of process controllers.

MAGARENG MUNICIPALITY

2.1 2010/2011 BUDGET PROCESS

2.1.1. Political Oversight of the budget process

Section 53 (1) (a) of the MFMA (no 56 of 2003) stipulates that the Mayor of a municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget. Political oversight of the budget process is necessary to ensure that the needs and priorities of the community, as set out in the IDP, are properly linked to the municipality's spending plans. The following actions are required in terms of Section 53 (1) and (3) of the Act:

The Mayor of the municipality must -

- 1.(c) take all reasonable steps to ensure—
 - (i) that the municipality approves its annual budget before the start of the budget year;
 - (ii) that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and
 - (iii) that the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act for the municipal manager and all senior managers—
 - (aa) comply with this Act in order to promote sound financial management;
 - (bb) are linked to the measurable performance objectives approved with the budget and to the service delivery and budget implementation plan; and
 - (cc) are concluded in accordance with section 57(2) of the Municipal Systems Act.
- (3) The mayor must ensure—
 - (a) that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan; and
 - (b) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

2.1.2. Budget Process

The IDP and Budget development process is integrated, consistent and undertaken as part of a continuous cycle of planning, implementation and monitoring. In August 2010, the Magareng Municipal Council approved the IDP Process Plan and Budget Schedule, detailing the process for the IDP review and Budget development for the 2011/12 MTREF period. Throughout the budget process, public participation will be a common feature thereby engaging communities, civil society, groups and business.

2.1.7. Flowchart on the budget process

There are basically three different processes in the budgeting cycle running at the same time:

- ▶ Reporting on Previous year budget,
- ▶ Current year budget implementation, and
- ▶ Preparation of the new financial year's budget (including the two following financial year estimates).

Reporting on Previous year budget:

This is mainly done through the compilation of the Annual Financial Statements of the previous financial year, including the Auditor-General's Audit Report. Another example is the different reporting formats to National and Provincial government on the previous year's budget and financial performance.

Current year budget implementation:

Implementation of the budget starts once the budget has been approved. An important document in the implementation of the budget is the Service Delivery and Budget Implementation Plan (SDBIP), which sets out the service delivery targets and performance indicators for the financial year. The SDBIP must be approved within 28 days after the approval of the budget.

Another important aspect is the monitoring and reporting on the current year budget. According to Section 71 of the MFMA, the accounting officer must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement on the state of the municipality's budget. This will enable the mayor to check if the approved budget is implemented in accordance with the SDBIP, consider revisions to the approved budget and identify any financial problems facing the municipality.

Preparation of the new financial year's budget:

There are six distinct steps to the preparation of the new financial year's budget:

Planning

Schedule key dates; establish consultation forums; review previous processes.

Strategic

Review IDP; internal and external consultations; set service delivery objectives for the next 3 years; consult on tariffs, indigent, credit control, free basic services, etc.; consider local, provincial and national issues; consult previous year's performance and current economic and demographic trends.

Preparation

Prepare revenue and expenditure projections; draft budget policies; consult and consider local, provincial and national priorities; measurement of past and current performance against the budget.

Tabling

Table complete proposed budget, IDP revisions and budget related policies no later than 31 March (90 days before the start of the new budget year) before council; make public the budget as soon as it has been tabled (via website, hard copies and electronic copies); consult with and consider formal local, provincial and national inputs or responses.

Approving

After the Mayor has responded to recommendations and where necessary made revisions to the tabled budget, full council must meet no later than 31 May (30 days before the start of the new budget year) to consider the budget for approval. Council approves the budget and related policies before 1 July. Should the municipality fail to approve a budget before the start of the budget year, the mayor must inform the MEC for Finance immediately.

Finalization

Publish and approve SDBIP and annual performance agreements and indicators 28 days after the approval of the budget. A delegations policy of spending authority on budget votes is also critical for successful budget and monitoring and evaluation.

2.1.8. Schedule of Key Budget Deadlines in terms of Section 21 (1)(b) of the MFMA (Municipal Finance Management Act)

The mayor must, according to the MFMA, co-ordinate the processes for preparing the annual budget and for reviewing the municipality's IDP and budget-related policies. The mayor therefore tabled a schedule of key deadlines with regards to the budgetary process and the review of the municipality's IDP, in council on the 30th of September 2010.

The approved schedule is set out below:

	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	July 2010	<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	12-Jul-10
		<u>MFMA QUARTERLY SCM REPORTING</u> Submit quarterly report on Implementation of Supply Chain Management Policy.	SCM Reg 6 (3)(4)	CHIEF FINANCE OFFICER	30-Jul-10
		<u>MFMA QUARTERLY BUDGET REPORTING</u> Submit quarterly report for service delivery and budget implementation.	MFMA (S 52)	MAYOR	30-Jul-10
		<u>MFMA ANNUAL SCM REPORTING</u> Submit annual report on implementation of the supply chain management policy to the mayor and make the report public.	SCM Reg 6 (2)	CHIEF FINANCE OFFICER	30-Jul-10
		<u>OPCAR REPORTING</u> Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Jul-10
		<u>LGTAS REPORTING</u> Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Jul-10
		<u>MTREF AND EVALUATION CHECKLIST</u> Planning for next three-year budget in accordance with co-ordinated role of budget process (included is previous year review of budget process and the budget, and completion of budget evaluation checklist)	MFMA (S 53)	MAYOR	30-Jul-10
		<u>PLANNING</u> Planning for next three-year budget; Establishment of internal and external budget consultation forums; and Establish processes and identify strategies for IDP and Budget Development.	MFMA (S 68) AND (S 77)	MUNICIPAL MANAGER AND SENIOR OFFICIALS	30-Jul-10

	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	July 2010	<u>SDBIPS & SECTION 57 CONTRACTS</u> Signing of performance contracts for service delivery.	MFMA (S 77 - 81) MSA (S56 - 57)	MUNICIPAL MANAGER AND SENIOR OFFICIALS	30-Jul-10
		<u>MFMA IMPLEMENTATION PRIORITIES</u> Complete Quarterly MFMA Implementation Priorities Checklist and submit to National Treasury.	NT Circular 38	CHIEF FINANCE OFFICER	30-Jul-10
	August 2010	<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	13-Aug-10
		<u>PREPARATION SCHEDULE OF KEY DEADLINES</u> Preparation of time schedule outlining key deadlines for preparing, tabling and approval of the budget and the review of the IDP.	MFMA (S 21) MSA (S 34)	MUNICIPAL MANAGER	20-Aug-10
		<u>OPCAR REPORTING</u> Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	31-Aug-10
		<u>LGTAS REPORTING</u> Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	31-Aug-10
		<u>TABLING KEY DEADLINES</u> Tabling of time schedule outlining key deadlines for preparing, tabling and approval of the budget and the review of the IDP.	MFMA (S 21) MSA (S 34)	MAYOR AND COUNCIL	31-Aug-10
		<u>AFS</u> Submission of AFS to Auditor-General for the year ended 30 June 2010.	MFMA (S 122 & 126)	MUNICIPAL MANAGER	31-Aug-10
	September	<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	14-Sep-10
		<u>IDP REVIEW</u> Processes are reviewed to determine strategic objectives for service delivery and development for next three year budgets, including review of Provincial and National government sector and sector strategic plans.	MFMA (S 34) MSA (S 21)	COUNCIL	14-Sep-10
	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	September	<u>DETERMINATION OF REVENUE PROJECTIONS</u> Revenue projections of proposed rates, service charges and draft the initial allocations to functions and departments for the next financial year after taking into account strategic objectives.		CHIEF FINANCE OFFICER	30-Sep-10
		<u>OPCAR REPORTING</u> Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Sep-10
		<u>LGTAS REPORTING</u> Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Sep-10

		<u>ENGAGEMENT OF NATIONAL AND PROVINCIAL TREASURIES</u>			
		Consultations with sector departments on sector specific programmes for alignment with municipalities plans (i.e. schools, libraries, clinics, water, electricity, roads etc)		CHIEF FINANCE OFFICER	30-Sep-10
		<u>ENGAGEMENT OF MUNICIPAL DEPARTMENTS</u>			
		Initial review of national policies and budget plans and potential increases of bulk resources with functional and departmental officials.	MFMA (S 35,36 & 42)	MUNICIPAL MANAGER	30-Sep-10
		<u>ADJUSTMENT BUDGET GUIDELINES</u>			
		Issue guidelines to various departments for the preparation of the 2010/2011 adjusted budget .	MFMA (S 28)	CHIEF FINANCE OFFICER	30-Sep-10
	October 20	<u>BUDGET AND IDP STEERING COMMITTEE MEETING</u>			
		Mayor establishes committees and consultation forums for the budget process.	GUIDE TO CLLRS PAGE 62 & 63	MAYOR	1-Oct-10
		<u>MFMA REPORTING</u>			
		Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	14-Oct-10
		<u>MFMA QUARTERLY SCM REPORTING</u>			
		Submit quarterly report on Implementation of Supply Chain Management Policy.	SCM Reg 6 (3)(4)	CHIEF FINANCE OFFICER	29-Oct-10
		<u>MFMA QUARTERLY BUDGET REPORTING</u>			
		Submit quarterly report for service delivery and budget implementation.	MFMA (S 52)	MAYOR	29-Oct-10
	<i>PERIOD</i>	<i>ACTIVITY</i>	<i>REF</i>	<i>RESPONSIBILITY</i>	<i>TARGET DATE</i>
	October 20	<u>PRIMARY BANK ACCOUNT</u>			
		Table before Council quarterly report of all withdrawals from primary bank account.	MFMA (S11 4(a)(b))	MUNICIPAL MANAGER	29-Oct-10
		<u>MFMA PRIORITIES</u>			
		Quarterly completion and submission of MFMA implementation priorities.	Circular 38 and MFMA (S 52(d))	MUNICIPAL MANAGER	29-Oct-10
		<u>OPCAR REPORTING</u>			
		Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	29-Oct-10
		<u>LGTAS REPORTING</u>			
		Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	29-Oct-10
		<u>POLICIES AND CONSULTATIONS</u>			
		Review of budget related policies and consultation process.	MFMA (S 21,22 & 23)	MAYOR AND COUNCIL	29-Oct-10
		<u>ADJUSTMENT BUDGET INPUTS</u>			
		The budget office receive the inputs from various departments for the 2010/2011 adjustment budget.	MFMA (S 28)	VARIOUS HEADS OF DEPARTMENTS	29-Oct-10

	November	<u>GUIDELINES FOR 2010/2011 BUDGET</u> Budget guidelines are issued to various departments for the preparation of 2010/2011 budget.	MFMA (S 21)	MUNICIPAL MANAGER	1-Nov-10
		<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	12-Nov-10
		<u>IMBIZO MONTH</u> Consultation meetings with communities and sector departments regarding the budget and IDP for the 2010/2011 financial year.	MFMA (S 23) MSA (CHAP 4)	MAYOR	15-19 Nov-10
		<u>REVIEW DRAFT IDP</u> Review and draft initial changes to the IDP	MSA (S 34)	MUNICIPAL MANAGER	30-Nov-10
		<u>IDP ASSESSMENT (PHASE 1)</u> Assess the extend of the previous year IDP implementation processes and implement corrective measures.	MSA (CHAP 5)	MUNICIPAL MANAGER	30-Nov-10
	<i>PERIOD</i>	<i>ACTIVITY</i>	<i>REF</i>	<i>RESPONSIBILITY</i>	<i>TARGET DATE</i>
	November	<u>OPCAR REPORTING</u> Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Nov-10
		<u>LGTAS REPORTING</u> Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Nov-10
	December	<u>MTREF 2011/2012 INPUTS</u> Budget office receive 2011/2012 budget inputs from various directorates. Inputs are considered and to seek clarities.	MFMA (S 21)	VARIOUS HEADS OF DEPARTMENTS	10-Dec-10
		<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	10-Dec-10
		<u>BUDGET PLANS</u> Preparation of proposed budget and plans for 2011/2012 taking into consideration the previous 2009/2010 performance as per Audited Financial Statements and comments from National and Provincial Treasuries.	MFMA (S 21)	MUNICIPAL MANAGER AND VARIOUS HEADS OF DEPARTMENTS	10-Dec-10
	January 20	<u>OPCAR REPORTING</u> Submit progress report on 2008/2009 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	14-Jan-11
		<u>LGTAS REPORTING</u> Submit progress report on Local Government Turn-Around Strategy to Council		MUNICIPAL MANAGER AND ALL HOD'S	14-Jan-11
		<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	14-Jan-11
		<u>MID YEAR BUDGET ASSESSMENT 2010/2011</u> Assessment is made for half year (the first six months) regarding the performance of the municipality.	MFMA (S 72(1)(b))	MUNICIPAL MANAGER AND CFO	21-Jan-11
		<u>PERFORMANCE ASSESSMENT</u> Tabling of mid-year performance assessment before Council for consideration.	MFMA (S 72)	MAYOR	25-Jan-10
		<u>TABLING ANNUAL REPORT</u> Tabling of 2009/2010 Annual Report before Council.	MFMA (S 127(2))	MAYOR	31-Jan-11

	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	January 20	<u>OVERSIGHT COMMITTEE</u> Establishment task team to handle annual report and compile oversight report.	MFMA (S 129)	MAYOR AND COUNCIL	31-Jan-11
		<u>MFMA QUARTERLY SCM REPORTING</u> Submit quarterly report on Implementation of Supply Chain Management Policy.	SCM Reg 6 (3)(4)	CHIEF FINANCE OFFICER	31-Jan-11
		<u>MFMA QUARTERLY BUDGET REPORTING</u> Submit quarterly report for service delivery and budget implementation.	MFMA (S 52)	MAYOR	31-Jan-11
		<u>PRIMARY BANK ACCOUNT</u> Table before Council quarterly report of all withdrawals from primary bank account.	MFMA (S11 4(a)(b))	MUNICIPAL MANAGER	31-Jan-11
		<u>MFMA PRIORITIES</u> Quarterly completion and submission of MFMA implementation priorities.	Circular 38 and MFMA (S 52(d))	MUNICIPAL MANAGER	31-Jan-11
		<u>MTREF ALLOCATIONS</u> Allocations from National and Provincial Governments and District Municipality are reviewed for incorporation into the 2011/2012 draft budget for tabling.	MFMA (S 36)	MUNICIPAL MANAGER AND CFO	31-Jan-11
	February 2	<u>SUBMISSION OF ANNUAL REPORT</u> Submission of Annual Report to Auditor-General (AG), Provincial and National Treasuries (PT & NT) as well as the Department of Housing and Local Government (DHLG)	MFMA (S 127(5))	MUNICIPAL MANAGER	1-Feb-11
		<u>PUBLICATION OF ANNUAL REPORT</u> Annual Report is published for public comments and representations.	MFMA (S 127(5))	MUNICIPAL MANAGER	1-Feb-11
		<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	11-Feb-11
		<u>ADJUSTMENT BUDGET</u> Tabling of adjustment budget and considering half yearly actual and projections.	MFMA (S 28)	MAYOR	28-Feb-11
	PERIOD	ACTIVITY	REF	RESPONSIBILITY	DATE
	February 2	<u>TARIFFS</u> Finalization of tariffs (rates and service charges) policies for the 2010/2011 financial year.	MSA (S 74 & 75)	COUNCIL	28-Feb-11
		<u>NATIONAL AND PROVINCIAL CONSULTATIONS</u> Consult with National & Provincial Treasuries, District Council, DWAF and Eskom to finalize plans for water, sanitation and electricity etc.(Sector Plans).	MFMA (S 21(2))	MAYOR	28-Feb-11
		<u>OPCAR REPORTING</u> Submit progress report on 2009/2010 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	28-Feb-11
	March 201	<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	11-Mar-11
		<u>OVERSIGHT REPORT</u> Adoption of oversight report and comments on 2009/2010 Annual Report. Publication of oversight report.	MFMA (129) AND MSA (21)	MUNICIPAL MANAGER	31-Mar-11

		<u>OPCAR REPORTING</u> Submit progress report on 2009/2010 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	31-Mar-11
		<u>MTREF TABLING</u> The Draft Annual Budget for 2011/2012 to 2013/2014 for revenue and expenditure, Budget plans from directors, Table A1 to A10, and all supporting documentation as required by Gazette 32141 are tabled to council for noting. This includes the budget resolution and the proposed revisions to the IDP.	MFMA (S 16,22 & 23) MSA (CHAP 4)	MAYOR	31-Mar-11
		<u>REVIEW OF PRICES</u> Prices of bulk resources are reviewed and changes noted.	MFMA (S 42)	MUNICIPAL MANAGER	31-Mar-11
	April 2011	<u>PUBLICATION AND SUBMISSIONS</u> Publications of tabled Budgets, Resolutions, Plans and proposed revisions to IDP and invite local community to comment, and submission to National and Provincial Treasuries and other forums to submit comments (21 days for inputs).	MFMA (S 22 & 27) MSA (CHAP 4)	MUNICIPAL MANAGER	1-Apr-10
	<i>PERIOD</i>	<i>ACTIVITY</i>	<i>REF</i>	<i>RESPONSIBILITY</i>	<i>TARGET DATE</i>
	April 2011	<u>MFMA REPORTING</u> Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	11-Apr-11
		<u>IMBIZO MONTH</u> Series of consultations in various wards through IMBIZOS to inform constituents of the 2011/2012 Budget and IDP.	MFMA (S 23) MSA (CHAP 4)	MAYOR	11 - 15 Apr-10
		<u>REVISING BUDGET DOCUMENTS</u> Revision of budget documents in accordance with consultative processes and taking into account the results from National and Provincial Treasuries, public comments as well as the third quarterly review of current year.	MFMA (S 21)	MUNICIPAL MANAGER	29-Apr-10
		<u>MFMA QUARTERLY SCM REPORTING</u> Submit quarterly report on Implementation of Supply Chain Management Policy.	SCM Reg 6 (3)(4)	CHIEF FINANCE OFFICER	29-Apr-11
		<u>MFMA QUARTERLY BUDGET REPORTING</u> Submit quarterly report for service delivery and budget implementation.	MFMA (S 52)	MAYOR	29-Apr-11
		<u>PRIMARY BANK ACCOUNT</u> Table before Council quarterly report of all withdrawals from primary bank account.	MFMA (S11 4(a)(b))	MUNICIPAL MANAGER	29-Apr-11
		<u>MFMA PRIORITIES</u> Quarterly completion and submission of MFMA implementation priorities.	Circular 38 and MFMA (S 52(d))	MUNICIPAL MANAGER	29-Apr-11
		<u>OPCAR REPORTING</u> Submit progress report on 2009/2010 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	29-Apr-11
	May 2011	<u>CONSOLIDATION OF INPUTS FROM STAKEHOLDERS</u> The final views of public, National & Provincial Treasuries and other organs of state are consolidated. The Mayor is provided the opportunity to respond to submissions from consultations and to table amendments to council for consideration.	MFMA (S 23 & 24) MSA (CHAP 4)	MAYOR	6-May-11

		MFMA REPORTING Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	13-May-11
	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	May 2011	FINAL MTREF Preparation of the final budget documentation for consideration for approval at least 30 days before the start of the budget year (1 July 2011 - 30 June 2012) taking into other new information of material nature.	MFMA (S 23)	MUNICIPAL MANAGER	16-May-11
		OPCAR REPORTING Submit progress report on 2009/2010 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	31-May-11
		APPROVAL OF THE BUDGET AND IDP Council approves annual budget, resolutions, setting of taxes and tariffs. Council approves changes to IDP and measurement of performance objectives for revenues by source and expenditure by vote.	MFMA (S 16,24,26 AND 53)	COUNCIL	31-May-11
	June 2011	PUBLICATION OF BUDGET AND IDP The adopted budget, IDP and plans are published.	MFMA (S 75 & 87)	MUNICIPAL MANAGER	1-Jun-11
		MFMA REPORTING Submit Monthly report on the budget to the Mayor, Accounting Officer, Provincial and National Treasury	MFMA (S 71)	CHIEF FINANCE OFFICER	10-Jun-11
		SDBIP Submission to the mayor no later than 14 days after the approval of the budget a draft of the SDBIP'S and annual performance agreements required by sections 57 (1)(b) of MSA.	MFMA (S 69) MSA (S 57(1))	MUNICIPAL MANAGER	15-Jun-11
		APPROVAL OF THE SDBIP'S Approval of SDBIP's 28 days after final approval of the budget and to ascertain that annual performance contracts are concluded in accordance of section 57(2) of MSA. It must be ensured that annual performance agreements are linked to measurable performance objectives approved with the budget.	MFMA (S 53) MSA (S 38 - 45 & 57(2))	MAYOR	29-Jun-11
		DELEGATIONS System of delegation is reviewed and any changes are approved by council.	MFMA (S 59,79 & 72) MSA (S 59 - 65)	MAYOR	30-Jun-11
	PERIOD	ACTIVITY	REF	RESPONSIBILITY	TARGET DATE
	June 2011	OPCAR REPORTING Submit progress report on 2009/2010 Audit Action Plan to Council		MUNICIPAL MANAGER AND ALL HOD'S	30-Jun-11
	July 2011	SUBMISSION OF SDBIP'S The approved SDBIP's and performance agreements are submitted to MEC for Local government and are published within 14 days after approval.	MFMA (S 53) MSA (S 38 - 45 & 57(2))	MUNICIPAL MANAGER	13-Jul-11

LEGEND : MFMA : Municipal Finance Management Act (56 of 2003)
MSA : Municipal Systems Act (32 of 2000)
SCM Reg : Supply Chain Management Regulations (Gazette 27636: May 2005)

MAGARENG MUNICIPALITY

2.3 2010/2011 BUDGET RELATED POLICIES

The budget is prepared within the context of approved Council policies and the legislative framework as promulgated by the National Parliament. Council strives to amend and implement policies complying with all relevant legislation. Policies are reviewed on an annual basis, and where necessary, amendments are made

Council have the following policies that govern the municipality's budget compilation and implementation thereof;

1. Revenue related policies

1.1 Tariff Policy

Council reviewed Tariff Policy in terms of Section 74(1) of the Municipal Systems Act (Act 32 of 2000) and was approved by Council on 30 March 2011.

1.2 Indigent Policy

The purpose of this policy is to ensure that all households with little or no income have access to basic services by means of subsidizing. This policy was approved by Council on 30 March 2011.

1.3 Rates Policy

Council adopted a Rates policy as mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy. This policy was approved on 30 March 2011.

1.4 Write-off bad debt Policy

Section 96 of the Local Government : Municipal Systems Act, 32 of 2000, provides that a municipality must collect all money that is due and payable to it, subject to provisions of the Act and other applicable legislation. It is recognized, however, that circumstances may arise which may make the recovery of certain debts impossible, impractical or financially unfeasible, and that such debts may have to be written off. This policy provides the framework and procedures to be followed for the write off of bad debt. Policy was approved by Council on 31 March 2010.

2. Supply Chain Management

2.1 Supply Chain Management Policy

To provide a policy framework within which the municipal manager and chief financial officer can institute and maintain a supply chain management system which is transparent, efficient, equitable, competitive, ensures best value for money for the municipality, applies the highest possible ethical standards, and promotes local economic development. Policy adopted by Council on 12 December 2007.

3. Banking and Investments

3.1 New Banking and Investment Policy

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003. The purpose of this policy is to provide the framework and procedures to be followed. Policy adopted by Council on 30 June 2007.

MAGARENG MUNICIPALITY

2009/2010 BUDGET RELATED POLICIES - continued

4. General

4.1 Budget Process Policy

Purpose of the policy is to set out the budgeting principles which the municipality will follow in preparing each annual budget, as well as the responsibilities of the chief financial officer in compiling such budget. Policy was adopted by Council on 4 August 2008 and reviewed on 31 March 2011.

4.2 Overtime Policy

Overtime is usually a major expense for municipalities and this policy is intended to provide clear guidelines/framework in order to enable the executing authority to compensate employees for overtime worked and to lay conditions under which overtime shall be worked. This policy was adopted by Council on 4 August 2008.

4.3 Consumer Deposit Policy

Magareng Municipality believes that every consumer should secure his/her account with council by means of either a cash deposit or a guarantee. The aim of this policy is to lay down criteria and guidelines in which officials should work to collect a guarantee or deposit and also to reduce the possibility of risk to council. This policy was reviewed by Council on 31 March 2011.

4.4 Risk Management Policy

This Policy addresses key elements of the risk management framework to be implemented and maintained by the Municipality, which will allow for the management of risks within defined risk/return parameters, risk appetite and tolerances as well as risk management standards. As such, it provides a framework for the effective identification, evaluation, management, measurement and reporting of the Municipality's risks. Council must consider all risks and make the necessary provision in the budget for mitigating actions. This policy was adopted by Council on 31 March 2009.

4.5 Vehicle Use Policy

Magareng Local Municipality, its Council and Executive Management has a Legal, Moral and Financial obligation to protect municipal assets from abuse, which could result in a loss to the Municipality. It is accepted that the Council has in the past sustained such losses, and that this has a negative impact on the Council's Insurance claims experience. This policy seeks to address these shortcomings.

4.6 Cellphone Policy

In order to enable and enhance the productivity of the municipality's business units it is critical to make use of the the latest means of communication technology. Based on this, cellular phones are allocated for sound business business reasons, primarily for receiving business calls and making business calls when not located in the office. The objective of the Cell phone Policy is aimed at controlling the use of cell-phones by employees and Councillors of Magareng Local Municipality. The policy provide guidelines, standard and norms used on the implementation of cell-phones by employees and Councillors.

4.7 Virement Policy

To allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner. Policy adopted by Council on 31 March 2010.

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2009/2010 BUDGET RELATED POLICIES - continued

5. Budget Policy Statement

- 5.1 The budget should address priorities as identified in the Council's IDP document and through ongoing consultations with communities.
- 5.2 Operating costs should be funded from ongoing revenues. Expenditure must be aligned with own revenue that the municipality can generate, on a level that can be reasonably sustained and reduce reliance on government subsidies
- 5.3 Revenue projections should be realistic and not be overly optimistic or too conservative.
- 5.4 The municipality must produce a balanced budget.
- 5.5 The municipality will maintain all of its assets at a level adequate to protect the capital investments and minimize future maintenance and replacement costs.

6. Legislative Framework

- Municipal Finance Management Act, No 56 of 2003
- Local Government: - Municipal Investment Regulations: Gazette No 27431, 1 April 2005;
- Local Government: - Municipal Supply Chain Management regulations: Gazette No 27636, 30 May 2005;
- Municipal Property Rates Act, No 6 of 2004;
- Local Government: - Municipality Property Rates Act Regulations: Gazette No 32061, 27 March 2009;
- Local Government: - Rate Ratios Residential and Non Residential Property: Gazette No 32062, 27 March 2009;
- Local Government: Municipal Systems Act, No 32 of 2000;
- Local Government: Municipal Structures Act, No 117 of 1998;
- Local Government: Municipal Fiscal Powers and Functions Act, No 12 of 2007; and
- Local Government: - Municipal Budget and Reporting Regulations: Gazette 32141, 17 April 2009.

7. Policy Availability

All policies are available at the office of the Financial Manager for scrutiny.

Chief Financial Officer
Mr. H Oberholzer
Civic Centre
Magrieta Prinsloo Street
Warrenton

Tel : 053 497 3111

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2.4 2011/2012 BUDGET ASSUMPTIONS

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro economic control measures. National Treasury provides guidelines on the ceiling of year-on-year increases in the total Operating Budget, whilst the National Electricity Regulator of South Africa (NERSA) regulates electricity tariff increases and DWAF regulates water tariff increases. Various government departments also affect municipal service delivery through the level of grants and subsidies.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP;
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs, including the expansion of services;
- An assessment of the relative capacity to implement the Budget;
- No budget allocation to be made to programmes and projects, unless the respective programme and project plans are submitted by the relevant HOD's; and
- The need to enhance the municipality's revenue base.

The multi-year budget is therefore underpinned by the following assumptions:

2011/2012 DRAFT OPERATING EXPENDITURE

- 20.38% increase purchase of electricity - Eskom : As per supplementary Circular 55 from National Treasury, dated 7 March 2011.
- 6.8% increase in salaries - according to SALGBC Circular 8/2009 - Salary and Wage Collective Agreement. Employee remuneration comprises of 30.60% of the total operating expenditure in the draft 2011/12 MTREF and therefore any increases above inflation places a disproportionate upward pressure on the expenditure budget. The long-term financial strategy assumes that employee costs will grow 2,0% greater than the CPI.
- There are signs that the middle class, who is the driver of demand, is under financial strain due to the current economic meltdown (this group is more exposed to debt and therefore more affected by the high debt servicing costs). The high food prices hurt the poor the most as they spend a larger portion of their incomes on food. This situation could mean that most households within the Municipality have cash-flow problems and will thus struggle to pay for their rates and taxes and this will affect the Municipality's cash flow. Due to this provision for Bad Debt to the amount of R5,176,152 have been included in the draft budget.
- A lower inflation scenario is expected in South Africa over the medium term, due to lower food and oil prices, weak domestic demand and the change in the target measure for inflation. The anticipated inflation rate for the 2011/2012 financial year is then 4.8%.

- All municipalities regardless of capacity are to comply with GRAP standards since the 2010 financial year. One of the requirements of GRAP 17 (Property, Plant and Equipment) is the depreciation of assets according to National Treasury's guidelines of estimated useful lifespan. In order for the Municipality to comply with this requirement a larger budgeted amount for depreciation have been included in the draft budget.
- The erosion of households' incomes by the high inflation and interest rates could result in an increase in the number of households on the Municipality's indigent register, raising a concern of its sustainability as the costs thereof escalate, going forward. It is projected that the current macroeconomic effects will result in an increase of 25% in indigents to a total of 2325.

Provision of free basic services to the value of R4,716,231 consisting of the following :

- ◆ Water : 6 kilolitre per month for 2,325 indigent households - R919,032
- ◆ Sewerage : free basic sanitation for 2,325 indigent households per month - R1,732,729
- ◆ Refuse Removal : free refuse removal for 2,325 indigent households per month - R1,464,471
- ◆ Electricity : 50 kWh per month for 2,325 indigent households - R1,242,384

2011/2012 DRAFT CAPITAL EXPENDITURE

When taking into account the current state of capital spending, indications are clear that all the previous year rollover and also the current allocation for this financial year will be spend before the 30th June 2010. The draft capital budget for 2011/2012 amounts to R 19,490,000 that represents an increase of 13.46% from the previous financial year.

DRAFT 2011/2012 OPERATING INCOME

Consumers are billed monthly in respect of services in the form of a consolidated bill. Majority of residential and commercial ratepayers are paying property rates on a monthly basis. The current economic conditions are hard for both businesses and households, such that it may be hard for them to pay for municipal services. Lower payment levels than what was anticipated during the previous budgeting process are therefore projected.

2011/2012 Projected Payment levels per Service

Service	2010/11 Collection Rate	2011/12 Collection Rate
Electricity	90.00%	90.00%
Water	70.00%	70.00%
Sewerage	70.00%	70.00%
Refuse	70.00%	70.00%
Property Rates	70.00%	70.00%

- All investments with the various financial institutions are strictly in compliance with the Municipal Finance Management Act and Investment regulations. The municipality by its prudent investment policies has been in a position to generate substantial interest returns on its investments, ensuring at all times the safety of capital with the lowest possible risk. Expected average return on investments for 2011/2012 is 5%.

DRAFT 2011/2012 CAPITAL EXPENDITURE FUNDING

The MFMA specifies that borrowing can only be used to fund capital or refinancing of borrowing certain conditions. Due to cashflow constraints Magareng Municipality is not in a position to take up any additional borrowing and is therefore 100% dependent on Grant Funding for its Capital Projects. All projects for the 2010 - 2013 MTREF are therefore assumed to be funded by external Grant Funding.

MTREF Social, Economic and demographic statistics and assumptions:

The following table represents the majority of social, economic and demographic assumptions used in the compilation of the 2010 - 2013 MTREF.

Description	2011/2012	2012/2013	2013/2014
<u>Demographic</u>			
Population	23 049	24 432	26 142
<u>Household Statistics</u>			
Number of poor people in Municipal Area	17 500	18 000	18 500
Number of households in Municipal Area	7 000	7 100	7 250
Number of poor Households in Municipal Area	3 500	3 600	3 700
Definition poor household : Total household income less than two social pensions			
<u>Economic</u>			
Inflation Rate	4.80%	5.30%	5.50%
Interest Rate - Borrowing	10.00%	9.00%	9.00%
Interest Rate - Investment	5.00%	5.00%	5.50%
Remuneration Increases	6.80%	8.20%	8.60%
Bulk Purchases	26.71%	26.82%	28.00%
<u>Tariff Increases</u>			
Water Tariff Increase	10.00%	10.00%	10.00%
Electricity Tariff Increase	20.36%	22.00%	20.00%
Sanitation Tariff Increase	6.00%	6.20%	5.90%
Refuse Tariff Increase	6.00%	6.20%	5.90%
Grant Income Increase	12.79%	12.70%	10.00%
Growth in Revenue Base	2.00%	2.00%	2.00%
Collection Rate	74.00%	77.00%	80.00%

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2.18 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION

2.18.1 Introduction

The passing of the MFMA into law was a key milestone that had a fundamental impact on municipal financial management that requires transformation in financial discipline and planning processes.

Magareng Municipality is classified as a low capacity municipality according to the Government Gazette No 26511 of 1 July 2004. With this classification it was exempt from a number of provisions of the ACT until 1 July 2009. Magareng Municipality was however not waiting for these deadlines and a number of provisions were already implemented. A checklist is compiled on a monthly basis to monitor further progress on the implementation of the most important provisions of the act and an annual checklist is compiled for budget documentation.

2.18.2 IDP

The 2011/2012 IDP review process was followed according to the required legislation.

2.18.3 2011/2012 BUDGET

This 2011/2012 Annual Budget has been developed taking the MFMA, Municipal Budget and Reporting Regulations and National Treasury requirements into account. The budget was tabled and approved within the required legislative timeframes.

2.18.4 CAPACITY BUILDING

A Municipal Manager, Chief Financial Officer and HOD Technical Services have been appointed. Other non Financial Managers however still require further training to enable them to exercise the appropriate financial management responsibilities as required by legislation. The Municipal Manager and other HOD's have still not signed performance agreements and a system of delegations as per Section 79 of the MFMA still needs to be adopted by Council and implemented by the Administration.

2.18.5 BUDGET AND TREASURY OFFICE

A budget and Treasury Office have been established in compliance with MFMA requirements.

2.18.6 AUDIT COMMITTEE

Magareng is using a shared service Internal Audit Unit and Audit Committee established at Francis Baard District Municipality.

2.18.7 GRAP IMPLEMENTATION

PriceWaterHouseCoopers appointed to implement GRAP. Started on 1 December 2008, and process to be completed by 30 June 2011.

2.18.8 IN-YEAR REPORTING

Electronic reporting to National Treasury is still not up to standard due to the migration to a new financial system on 1 July 2009. All required reports are currently not generated and submitted as per required timeframes. This issue is to be resolved by 30 June 2011 and reporting for the 2012/2011 financial year will be diligently implemented.